

# INFORMATION SHEET

## STATE TAX LIEN

### INTRODUCTION:

The Employment Development Department (EDD) is authorized to record with the office of the Secretary of State and any County Recorder, a Notice of State Tax Lien specifying the amount of contributions, interest and penalties due the Department.

California Unemployment Insurance Code Section 1703 provides:

- (a) If any employer or other person fails to pay any amount due this Department at the time that it becomes due and payable, (including penalty, interest and costs), shall be a perfected and enforceable tax lien.
- (b) For the purposes of this section, amounts are "due and payable" on the following dates:
  - (1) For amounts disclosed on a return received by the Department or for penalties, the date of the notice to the taxpayer of the amount due.
  - (2) For all other amounts, the date the assessment is final.

### LIEN AROSE DATE:

The recording of a Notice of State Tax Lien must take place within ten years of the date the lien arose. The recorded lien is valid for ten years and may be extended in ten year increments. The Department's lien is enforceable for all obligations which exist against the owner of the property.

### EFFECT OF A STATE TAX LIEN:

The Department's tax lien is a perfected and enforceable State Tax Lien on all property and rights to property whether real or personal, tangible or intangible including all subsequent acquired property and rights to property belonging to the taxpayer.

Prior to the actual recording of a Notice of State Tax Lien, the following statement appears on the Employer Account Statement (DE 2176): "Our previous notice to you for payment has created a perfected and enforceable State Tax Lien under the provisions of Section 1703. Failure to pay these delinquent liabilities immediately will cause a Notice of State Tax Lien to be recorded against you pursuant to Government Code Section 7171. A Notice of State Tax Lien constitutes public notice to your creditors and will encumber your real and/or personal property." The taxpayer should immediately pay the liability in full to avoid the recording of a State Tax Lien. If the liability cannot be paid in full, immediately contact the Department at the phone number indicated on the notice. In all instances of an approved payment plan, EDD will file a Notice of State Tax Lien to protect the Department's interest. A copy of the State Tax Lien is mailed to the taxpayer's address as it appears on the Department's records.

The lien documents state that the amount of the unpaid tax is a lien on all real and personal property and the rights to such property, including all subsequently-acquired property and rights to property belonging to the taxpayer.

A recorded lien is a matter of public record and the employer's credit rating and credit reports may be adversely affected by a State Tax Lien. The EDD does not directly provide credit reporting agencies with State Tax Lien information. This information is acquired from the counties.

Generally, State Tax Liens must be paid in full, with certified funds (cash, cashiers check, money order), prior to the transfer of any real property. A demand for payment, and the release of paid EDD liens should be requested in writing or by faxing a request to:

Employment Development Department  
P.O. Box 826203, MIC 92 G  
Sacramento, CA 94230-6203  
FAX Number: (916) 464-2711

Please include the name, address and phone number of the institution requesting the demand, the employer account number, lien certificate number, and whether the demand should be mailed or faxed or both.

Other taxing agencies such as Internal Revenue Service, the Board of Equalization and the Franchise Tax Board also impose and file tax liens. EDD tax liens can be identified as follows:

The letter "K" followed by five digits. For example, K12345

The letter "M" followed by six digits. For example, M123456

The letter "W" followed by nine digits. For example, W931123456

Lien amounts are not adjusted after the lien is filed. An amended lien will not be issued when payments are made to reduce the liability.

The cost of recording the Certificate of Release of State Tax Lien is the responsibility of the taxpayer and may be collected by the Department in the same manner as the law provides for collection of the tax.

State Tax Liens recorded in the office of the County Recorder or filed with the Secretary of State are released within 40 days after the liability, including penalty and interest, has been paid in full.

Once a tax liability is paid in full, a Release of Lien is mailed to the County Recorder's office and the Secretary of State. The Release of Lien is not mailed directly to the taxpayer. A copy of the release will be sent to the taxpayer, if requested.

#### **FOR FURTHER INFORMATION:**

Employers who have questions regarding a State Tax Lien should contact their nearest Employment Tax Customer Service Office (ETCSO). For the telephone number of the nearest ETCSO, look in the "State Government" section of the White Pages in the local telephone directory, under "Employment Development Department."

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